

CITY OF EL PASO, TEXAS
AGENDA ITEM DEPARTMENT HEAD'S SUMMARY FORM

DEPARTMENT: Economic Development
AGENDA DATE: December 23, 2008 Regular Agenda
CONTACT PERSON/PHONE: Kathryn Dodson, PhD, Director 541-4670
DISTRICT(S) AFFECTED: ALL

SUBJECT:
Discussion and action on an incentive policy for blighted properties.

BACKGROUND/DISCUSSION:

On October 1, 2008 the LRC for Economic and Community Development, Quality of Life and Tourism discussed and voted on (2-2) the proposed policy for the delivery of incentives to remove the blighted conditions of properties.

PRIOR COUNCIL ACTION:
Has the Council previously considered this item or a closely related one?

No.

AMOUNT AND SOURCE OF FUNDING:
How will this item be funded? Has the item been budgeted? If so, identify funding source by account numbers and description of account. Does it require a budget transfer?

No.

BOARD/COMMISSION ACTION:
Enter appropriate comments or N/A.

LRC October 1, 2008

*****REQUIRED AUTHORIZATION*****

LEGAL: (if required) _____ **FINANCE:** (if required) _____

DEPARTMENT HEAD: *Luci Pontinelli, Economic Dev Mgr* *for Kathryn Dodson, Director*
(Example: If RCA is initiated by Purchasing, client department should sign also). Information copy to appropriate Deputy City Manager

APPROVED FOR AGENDA:

CITY MANAGER: _____ **DATE:** _____

RESOLUTION

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

That the City of El Paso Incentives Policy for Blighted Properties attached hereto as Exhibit "A" be approved and made immediately effective.

APPROVED this _____ day of December, 2008.

THE CITY OF EL PASO

John F. Cook
Mayor

ATTEST:

Richarda Duffy Momsen
City Clerk

APPROVED AS TO FORM:



Marie A. Taylor
Assistant City Attorney

APPROVED AS TO CONTENT:



Kathryn B. Dodson, Ph.D., Director
Economic Development Department

EXHIBIT A

City of El Paso Incentives Policy for Blighted Properties December 2008

SECTION I. PURPOSE

It is the policy of the City of El Paso to provide incentives to remove blighted conditions for properties. The City of El Paso believes that eradication of blight serves an important public function because:

- Blighted and deteriorated properties create potential nuisances and can become a convenient haven for criminal activities.
- The presence of blighted and neglected properties impairs or arrests growth and development of neighborhoods and often lead to an exodus of current businesses and residents, threatening the spread of blight to other properties and neighborhoods.
- Vandalism of a single property or structure can have a significant negative economic and environmental impact on entire neighborhoods.

The purpose of this policy is to define the financial incentives available to remove blight and to establish standards by which they will be implemented. New and existing businesses can be considered for financial incentives within the parameters of this policy. In order to be eligible for incentives, businesses or individuals must be current on all city taxes or any other obligation to the City.

Incentives cannot be transferred as a result of a change in the majority ownership of the business without the expressed written consent of the City of El Paso. Any new owner shall file a new application for an economic development incentive. It shall be the responsibility of the business to notify the City of any such substantive change.

The City of El Paso is under no obligation to approve any requested incentive and the right to these incentives is neither intended nor implied.

SECTION II. STRATEGIC OBJECTIVES

The City of El Paso, through the implementation of this and other policies, shall endeavor to abolish blight and provide incentives for the redevelopment of blighted properties.

SECTION III. GENERAL CRITERIA

The City of El Paso may provide incentives for any business or commercial development project if that project, in the opinion of the City Council of the City of El Paso:

1. Will substantially enhance the economic health of the City of El Paso;
2. Will result in a net increase or retention of jobs in the City, will add to the tax base, and will otherwise improve or enhance the economic welfare of the residents or businesses of the City; or
3. Demonstrates the potential to generate revenues to the City which outweigh costs associated with incentives.
4. The property is formally declared blighted (in accordance with the attached "Methodology for Determining Slums and Blight" approved by the City of El Paso on 17 October, 1989) prior to entering into the incentives contract.

In addition, the following criteria must be satisfied.

The project must:

1. Show a clear demonstration of public purpose and economic benefit through advancement of the City's economic goals which include expanding the tax base, creating quality jobs, increasing private capital investment in the community, spurring development in targeted City locations; or encouraging development of targeted businesses or clusters desirable to enhance the City's economy;
2. Include solid evidence provided by the business that demonstrates the business's financial stability and capacity to complete the project;
3. Be in compliance with all local, state and federal laws.

The business, in order to receive any such incentives from the City of El Paso will make available credible information, including but not limited to capital investment and employment projections, to enable the City to prepare a fiscal impact analysis. The recipient will update this information annually during the term of any incentives contract. The decision to provide any economic development incentives will be considered on a project-by-project basis, in accordance with the criteria set forth in this policy, and at the discretion of the City Council of the City of El Paso.

SECTION IV. QUALIFICATION CRITERIA

In order to be eligible for incentives under this policy, the general criteria must be met and a minimum investment of \$30,000,000 (Thirty Million Dollars) will be required. In addition, in order to be eligible for incentives under this policy, the blighted property MUST be redeveloped as a mixed use, lifestyle or transit oriented development, or other use as recommended by City Staff.

SECTION V. ECONOMIC DEVELOPMENT INCENTIVE

Companies satisfying the general criteria and meeting the qualification standards above who wish to pursue incentives will need to pay a \$750 non refundable application fee in order to formally request incentives.

An economic impact analysis will be conducted by the Economic Development Department on every project considered for incentives. The delivery mechanism of choice for incentives will be the Chapter 380 agreement.

Agreements may be conditioned on the completion of specific improvements to real property and/or job numbers and salaries levels being met. The Agreements shall contain recapture clauses in the event that such conditions are not met.

The Economic Development Department is charged with recommending to the Legislative Review Committee for Economic and Community Development the level of incentives based on the economic impact analysis and other factors. For the projects qualifying under this policy with total investments of \$30 to \$59M, the incentives will be granted for 5 (five) years. For projects qualifying under this policy with total investments of over \$60M, the incentives will be granted for 10 (ten) years.

For Projects qualifying under this policy, the incentives available will be as follows:

- 100% ad valorem real property tax rebated (on increment)
- 100% sales tax rebate for tenants new to El Paso County (payable to the Developer)
For Tenants NOT new to El Paso County
 - 50% of sales tax will be used to fund a Sales Tax TIF for public improvements in the area adjacent to the development; the other 50% will be deposited to the general fund.
- 100% Sales & Use Tax rebate on construction materials and labor used in the development.

- Shared parking requirements if the development is mixed used residential or transit oriented development
- Up to \$200,000 available in separate grant for LEED certified projects.
- Waiver of development fees
- If the project investment is \$60 million or more, the City will support State Enterprise Zone designation for the project, enabling the developer to access State incentives.

SUNSET


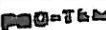
This policy will sunset September 30, 2009 unless renewed or revised by the City of El Paso.

R E S O L U T I O N

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

That the attached "Methodology for Determining Slums and Blight" be adopted by the City of El Paso as the basis for determining areas within the City Limits that qualify as eligible to receive Community Development Block Grant funding for the purpose of eliminating slums and blight.

ADOPTED this 17th day of October, 1989.


Mayor 


ATTEST:


City Clerk

APPROVED AS TO FORM:


Assistant City Attorney

APPROVED AS TO CONTENT:


Deborah G. Hamlyn, Director
Community and Human Development

cc3-068

METHODOLOGY FOR DETERMINING SLUMS AND BLIGHT IN EL PASO, TEXAS

PURPOSE

The purpose of this methodology is to establish criteria and show the record keeping required to qualify areas under the slums and blight category for the El Paso Community Development Program. The criteria for determining eligible areas incorporates locally adopted Tax Increment Financing (TIF) criteria used to determine slums and blight with required existing federal criteria. This consolidated criteria will enable the City to qualify additional areas which would not qualify for funding under the low and moderate income guidelines of the Community Development Block Grant Program.

CRITERIA

An activity must meet the following three criteria:

1. The area must meet any of the following conditions to be considered a slum, blighted, deteriorated or deteriorating area:
 - a. Any area with a substantial number of substandard, slum, deteriorated, or deteriorating structures (generally around 25 percent);
 - b. Predominance of defective or inadequate sidewalk or street layout;
 - c. Inadequate parking facilities;
 - d. Faulty lot layout in relation to size, adequacy, accessibility, or usefulness, unsanitary or unsafe conditions;
 - e. Deterioration of site or other improvements;
 - f. Diversity of ownership;
 - g. Tax or special assessment delinquency exceeding the fair value of the land;
 - h. Defective or unusual conditions of title;
 - i. The existence of conditions which endanger life or property by fire and other cause;
 - j. Any combination which substantially impairs or arrests the sound growth of a city, retards the provision of housing accommodations or constitutes an economic or social liability and is a menace to the public health, safety, morals or welfare in its present condition and use;
 - k. Any area which is predominantly open and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise substantially impairs or arrests the sound growth of the community.

2. One quarter of all the buildings in the area must be in a state of deterioration; or public improvements throughout the area must be in a general state of deterioration. The requirement cannot be satisfied with just one type of deteriorated public improvement. Public improvements must be considered as a whole and show clear sign of deterioration.
3. The activity must address one or more of the specific conditions described previously which qualified the area at the time of its designation. If the activity is residential rehabilitation or structures not occupied by low/moderate income persons, two additional criteria must be met:
 - a. Each such building must be considered substandard according to the quality standards used in the Section 8 Housing Assistance Payment Program.
 - b. All deficiencies making such a building substandard must be corrected before less critical work on the building may be undertaken.

These two additional criteria are not required for nonresidential rehabilitation (i.e. commercial or industrial rehabilitation).

RECORDS TO BE MAINTAINED

1. The boundaries of the area; and
2. A description of the conditions which qualified the area at the time of its designation in sufficient detail to demonstrate how the area met the required criteria. This must include the percentage of substandard, deteriorated or deteriorating structures in the area.
3. For each residential rehabilitation activity;
 - a. State the local definition of "substandard" as follows:

Substandard Housing Unit in El Paso - A housing unit which needs more repair than would be provided in the course of regular maintenance and/or which does not provide safe and adequate shelter. A housing condition factor from the Central Appraisal District of .65 and below is used as an indicator of a substandard housing condition.
 - b. Include a pre-rehabilitation inspection report describing the deficiencies in each structure to be rehabilitated; and
 - c. Describe the details and scope of Community Development Block Grant assisted rehabilitation, by structure.

ADOPTED by City Council this 17th day of October, 1989